

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS NERI TO
NATIONAL ASSOCIATION OF PRESORT MAILERS INTERROGATORIES
(NAPM/USPS-T4-1-3, 5(a-d), 6, 7, AND 8(a&c))
(March 6, 2012)**

The United States Postal Service provides the responses of witness Neri (USPS-T-4) to the above-listed interrogatories of the National Association of Presort Mailers, dated February 17, 2012. Each interrogatory is stated verbatim and followed by the response. Interrogatory NAPM/USPS-T4-4 is redirected to witness Mehra (USPS-T-7) for a response, and interrogatories NAPM/USPS-T4-5(e), 8(b&d), and 9 are redirected to the Postal Service for an institutional response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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NAPM/USPS-T4-1. Please refer to page 14 of your testimony where you state “[t]he Postal Service intends to use the AMP process as a vital decision-making tool in support of Mail Processing Network Rationalization Service Changes. This current process provides a time-tested and verified method of calculating savings associated with mail processing facility consolidation and/or closure.”

- a. Please confirm whether this process includes any assessment of the cost savings or cost increases to mailers and mail service providers as a consequence of the proposed changes.
- b. If confirmed, please provide any qualitative or quantitative assessment on cost savings or cost increases to mailers and mail service providers. If you cannot confirm, please explain fully.

RESPONSE:

a-b. Please see the response to NPPC/USPS-T1-8. The Postal Service does not have data reflecting the cost structures of presort First-Class Mail users and mail service providers, and is unable to do such analysis without that information.

As part of the Advanced Notice of Proposed Rulemaking, the Postal Service specifically requested:

comments on all aspects of the Proposal. In particular, the Postal Service solicits comments on the effects that the Proposal could have on senders and recipients of First-Class Mail, Periodicals, and Standard Mail, as well as any potential effects on users of other mail classes. Mail users are encouraged to comment on the nature and extent of costs or savings they might experience as a result of the changes described in this notice, as well as any additional possible benefits they foresee.

The Postal Service received mainly qualitative comments; however, no comments provided the Postal Service the ability to quantify the costs.

The Postal Service in its Proposed Rule also requested comments on the proposed revisions in 39 CFR Part 121. Any comments related to costs of the industry could provide a basis for understanding potential impact.

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NAPM/USPS-T4-2. Please refer to page 15 of your testimony where you state, “[f]ollowing implementation of an approved AMP, two post-implementation reviews (PIRs) are required. A PIR measures actual data before and after AMP implementation, comparing the projected savings or costs with actual post-AMP savings or costs.”

- a. Please confirm whether the results of the PIRs from the closures since 2008 have been entered into the record in this case. If confirmed please provide a reference to the supporting data. If not confirmed, please explain fully why the results of past closures were not considered in your network modeling.
- b. Please confirm whether these PIRs can be used to identify the cost impacts of the changes on mailers and mail service providers. If not confirmed, please explain fully why this information is not part of the PIR process.

RESPONSE:

- a. The results of the PIRs are included in the AMP studies that appear as part of USPS Library Reference USPS-LR-N2012-1/NP12.
- b. An accurate assessment of the cost impacts on mailers and mail service providers cannot be derived from these PIRs. Please see the response to NAPM/USPS-T4-1(b).

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NAPM/USPS-T4-3. Please refer to page 15 of your testimony where you state, “[t]he proposed Network Rationalization Service Changes would no longer require mail flow for outgoing (originating) operations to be constrained by the AADC / ADC distinction, because the mail processing infrastructure would be consolidated into a streamlined network, thereby allowing all mail processing facilities to be separated on an outgoing primary sort program.”

- a. Please confirm whether the Postal Service considering the elimination of existing mail preparation separations such as AADC, SCF, and 3-Digit and establishing some new preparation separations in support of “an outgoing primary sort program”.
- b. If confirmed, please provide a detailed explanation of any new preparation requirements the Postal Service is considering for the new network. If not confirmed, please explain fully the intent of the statement in the testimony.

RESPONSE:

a-b. Confirmed. Although the Postal Service anticipates changes in mail preparation requirements, these changes are currently being evaluated based on the AMP proposals approved and announced on February 23, 2012. Once determined, the changes will be accomplished through Label List Updates, and the transition will occur in accordance with the timeframe for completing consolidations.

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NAPM/USPS-T4-5. Please refer to page 17 of your testimony where you state, “[i]ncreased tray densities and general capacity utilization would be expected along with improved labor efficiencies.”

- a. Please provide a detailed explanation of any proposed changes to the tray preparation minimums (by separation level).
- b. Please provide a detailed explanation of any proposed changes to the tray separation levels.
- c. Please provide a detailed explanation of any proposed changes to the tray sortation processes. Specifically, please describe whether commercial trays of mail entered at a facility will be processed and containerized for downstream facilities or whether they will be opened and processed in primary sort operations in order to achieve greater tray densities.
- d. Please provide a detailed explanation of the Postal Service’s plans to facilitate greater tray and container densities for commercial mailings.

RESPONSE:

- a. No changes are proposed.
- b. No changes are proposed.
- c. No changes are proposed.
- d. This portion of my testimony addresses internal Postal Service mail flow. The network design would facilitate commercial mailer achievement of greater container densities by virtue of fewer facilities and fewer Sectional Center Facility (SCF) locations.

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NAPM/USPS-T4-6. Please refer to page 17 of your testimony where you state, “[t]he reconfigured network would have fewer facilities, and these facilities would prepare containers that are filled to the capacity instead of half-full containers. This would result in the need for less cube space on air transportation, less MTE on surface transportation, and less tray handling than if various mail processing facilities each prepared its own partial containers of mail.”

- a. Please confirm that, all else being equal, fuller containers (i.e., containers with more pieces) are less costly (on a per-piece basis) for the Postal Service to transport/handle than less-full containers. If confirmed, please explain in detail why fuller containers are less costly (on a per-piece basis) for the Postal Service to handle than less-full containers. If not confirmed, please explain fully.
- b. Please confirm that, all else being equal, fuller trays (i.e., trays with more pieces) are less costly (on a per-piece basis) for the Postal Service to transport/handle than less-full trays. If confirmed, please explain in detail why fuller trays are less costly (on a per-piece basis) for the Postal Service to handle than less-full trays. If not confirmed, please explain fully.

RESPONSE:

- a. Confirmed. Each container in the mail processing network incurs handling and transportation costs. If fewer containers are used, handling and transportation costs would be reduced.
- b. Confirmed. Each tray in the mail processing network incurs handling and transportation costs. If fewer trays are used, handling and transportation costs would be reduced.

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NAPM/USPS-T4-7. Please refer to page 18 of your testimony where you state, “[p]rocessing hours will be determined by the volume of mail. Full time employees will staff core production hours supplemented by a flexible workforce adjusted to daily staffing needs. By utilizing the flexible work force that the national labor agreements allow, management will be able to expand or contract production hours in concert with daily mail volumes.”

- a. Please provide a detailed explanation of the Postal Service’s plans for keeping service commitments in cases where it is determined that the mail arriving prior to the CET exceeds scheduled resources available for processing it.

RESPONSE:

The Postal Service intends to achieve the objectives described in this portion of my testimony by scheduling additional resources or utilizing overtime hours.

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NAPM/USPS-T4-8. Please refer to page 28 of your testimony where you state, “[a]nother source for productivity improvements is the reduction in the number of sort destinations. Reducing to less than 200 sorting facilities allows for the elimination of AADC and ADC sortation. At origin, mail would be sorted directly to the destinating facility, reducing the number of handling units generated, increasing the density of mail in each handling unit and reducing the number of handlings each unit must receive. At the destination, fewer individual handlings would be necessary to complete processing and distribution.”

- a. Please confirm that the Postal Service is planning to eliminate the AADC and ADC mail preparation categories and replacing them with some other level of sort preparation. If confirmed, please provide a detailed explanation of the proposed changes. If not confirmed, please explain fully.

- c. Please confirm whether the Postal Service is planning to implement new DPS new sort schemes. If confirmed, please provide a detailed explanation of the proposed changes. If not confirmed, please explain fully.

RESPONSE:

- a. Please see the response to NAPM/USPS-T4-3.

- c. Confirmed. Based on the ability to combine zones based on the expansion of the operating windows, the constraint for DPS will now be the number of delivery points. The Postal Service is currently evaluating the DPS sort schemes associated with the network.
